

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services

Subcommittee on Financial Institutions and Consumer Credit
“Check Clearing for the 21st Century Act” – “Check 21”

April 8, 2003

I want to thank Chairman Bachus for holding this important hearing on Check 21, the bipartisan legislation introduced last month by Representatives Melissa Hart and Harold Ford Jr. This hearing continues the work we began late last Congress in the Subcommittee, and I am confident that this year we will succeed in getting a bill to the President’s desk that truly modernizes the payments system. I would also like to thank the panel of witnesses who have come to testify and give their insights into this legislation. I look forward to your thoughts and comments on the effect Check 21 will have on the domestic payments system.

After the September 11th terrorist attacks, domestic flights were suspended, preventing millions of checks from physically moving through the payments system. While the system was stalled, float built up in the payments system and the Federal Reserve was forced to take emergency action to continue the movement of checks around the country. This Committee responded to the terrorist attacks with legislation aimed at eliminating terrorist financing, getting our financial markets open and operating, and providing businesses with protection from future losses from terrorist attacks. Check 21 is another effort by this Committee to protect the payment system in times of national emergency by ensuring that checks will continue to be processed through the payments system with limited interruption.

The technology exists to provide electronic check presentment while combating fraud and improving service. Today millions of Americans can go online and examine their accounts, pull up images of their checks and determine if the proper amounts were debited. Now, there is no need to wait until the end of the month to reconcile your accounts; it can be done on a daily basis. Americans without internet access will benefit from this technology through expedited processing and will still receive images of their checks in the mail. There is little need for original paper checks in today’s payments system, and we should not mandate they be retained if they are not useful.

We must ensure that our banking system operates as efficiently as possible while preserving safety and soundness. Check 21 achieves these goals by improving our payments system and encouraging the electronic movement of checks across the country. At the same time, this bill protects consumers by ensuring that they have the ability to retrieve improperly debited funds and are given information on the operation of this new system. I am hesitant to burden this bill with additional and unnecessary provisions aimed at creating new rights not already available under the current law of negotiable instruments. Check 21 grants banks useful tools to improve the delivery of services to their customers and expedite the flow of funds through the system. We must ensure that the efficiencies achieved are not reversed by excessive regulatory intervention. The laws governing checks have not changed much over the past several decades, and by all estimates the system has worked very well. Consumers are well-protected through existing check law in the UCC and other regulations. This bill does nothing to reduce these protections, and actually provides enhanced provisions for consumers.

I expect that we will achieve broad bipartisan support to move this proposal through the Committee and to the floor for consideration. We have the technology and the ability to make current check processing more efficient, less costly, and more consumer-friendly. Let's take advantage of it.

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